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# DRAFT PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE 2001-2010

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## I. OBJECTIVES AND PRINCIPLES

1. The Programme of Action aims to contribute to a significant improvement in the human conditions in least developed countries (LDCs) during the present decade. Against the backdrop of lack of progress in socio-economic development in the LDCs in the 1990s, it provides a framework for a strong global partnership to accelerate growth and sustainable development in LDCs, fight poverty, inequality and deprivation in these countries, and enable them to beneficially integrate into the global economy.

2. A major goal of the Programme of Action will be to pursue the internationally agreed target of reducing extreme poverty by one-half by 2015. This will require, among other things, significant and steady increases in growth rates in LDCs. To that end, LDCs, with the support of their partners, will strive to attain annual growth rates of 5-6 per cent by 2006 and 6-8 per cent by the end of the decade.

3. In formulating the Programme of Action, account has been taken of the outcomes of major global conferences and summits, including the special provisions in favour of LDCs contained therein, as well as of other recent policy developments in multilateral fora, including those within the United Nations and the Bretton Woods institutions. The process of preparation of national programmes of action during the preparatory stage of the Conference provided specific inputs to the Programme of Action. The success of this Programme of Action will be judged, in the end, by its contribution to progress by LDCs towards these international development targets, as well as towards their genuine graduation from the list of LDCs.

4. Women play an essential role for the livelihood and survival of their families and communities, particularly in critical circumstances. Achieving gender equality and empowerment of women in LDCs is an important objective of the Programme of Action. In implementing the Programme of Action, particular attention will be given to the need for redressing inequalities between women and men and girls and boys and ensuring their equal rights, responsibilities, opportunities and possibilities.

5. Human dignity and solidarity, shared responsibility, freedom, democracy, equality, common concern for world peace and security, and the well-being of succeeding generations will nurture and sustain the common efforts of the LDCs and their development partners. Empowering people in LDCs, particularly the poor among them, will be at the heart of this partnership.

## II. A FRAMEWORK OF PARTNERSHIP

6. This global partnership will revolve around mutual commitments by LDCs and their development partners to undertake concrete actions in a number of interlinked areas set out in the Programme of Action. LDCs will continue to have the primary responsibility for the formulation and effective implementation of appropriate policies and measures. LDCs have been implementing, often with success, policy reforms in many areas covered under the Programme of Action. Each LDC will translate national policies and measures contained below into concrete action within the framework of its national programme of action, taking into account its particular circumstances and priorities. This should be accomplished with the full involvement of all domestic stakeholders and the collaboration of its development partners.

7. The development partners, including bilateral partners as well as organizations of the UN system and other relevant multilateral organizations, will assist in this endeavour by facilitating an enabling external environment and providing adequate external support in a spirit of genuine solidarity and shared responsibility. Indications of improved prospects for development cooperation augur well for effective implementation of the commitments in the Programme of Action. An important function of the Programme of Action will be to serve as a common framework for development cooperation for LDCs.

8. South-South cooperation has an important role for LDCs' development, particularly in the areas of human and productive capacity building, investment, transit-transport cooperation, technical cooperation and exchange of best practices. Such cooperation should be supported by the international community.

9. The Programme of Action recognizes the following as cross-cutting issues: poverty eradication, gender and development, employment, involvement of key stakeholders, including civil society and business, in the development process, and special problems of those LDCs that are also land-locked and small island States.

### A. Priorities for the decade

10. National policies of LDCs and external support measures by their partners during the decade will revolve around the following priorities:

(a) A significant reduction in extreme poverty;

(b) Developing human resources to support long-term development;

(c) Removing supply-side constraints to accelerate growth and employment generation;

(d) Increasing LDCs' share in world trade and global financial and investment flows.

## B. Main orientations

11. The LDCs and their partners will be guided by the following considerations in the implementation of the Programme of Action:

(a) *An integrated approach*: The development process should be viewed in a comprehensive, coherent and long-term manner by LDCs and their partners, including the multilateral agencies within and outside the United Nations system. There should be a good balance between economic and non-economic objectives of development.

(b) *Genuine partnership*: With greater alignment between national policies and strategies in LDCs and external assistance strategies of their partners, the scope for more effective dialogue between them has expanded. Open and transparent development cooperation, underpinned by strong political will, can help bring about rapid transformations in LDCs.

(c) *Country ownership*: All efforts should be made by LDCs and their partners to ensure genuinely country-led development. This should enable development partners to support clearly identified priorities of LDCs. Also, LDCs will need to be effectively involved in areas such as aid coordination and debt relief. Adequate account should be taken of structural fragility of LDCs in economic, social, human, environmental and governance areas.

(d) *Focus on the poor*: The ultimate test of the effectiveness of the Programme of Action will be its success in improving the living conditions of the poor. National policies and external support measures must have a deliberate pro-poor orientation. Poverty reduction strategies should be based on assessment of the nature and determinants of poverty in each LDC and their links with public action. Such strategies will be most effective if people in LDCs are not just treated as welfare beneficiaries but also enabled as participants and agents of change.

(e) *Market orientation*: A sustained process of economic growth and poverty reduction can be facilitated by giving a greater role to market forces and private initiative. However, this cannot be achieved without adequate attention to market failures as well as government failures. It is necessary to work towards a good balance between public action and private initiative.

(f) *Result orientation*: Only concrete outcomes can sustain public confidence in the development partnership between LDCs and their development partners. The process of identifying, assessing and monitoring progress on outcomes will be a key aspect of the implementation of the Programme of Action.

**Commitment 1: Fostering a people-centred policy framework**

12. The objective of the policy framework is to create an overall enabling environment for national and international actions to overcome the structural bottlenecks in the LDCs and ultimately to put LDCs on a path of accelerated growth and sustainable development that provides opportunities for all, particularly the poor, and enables these countries to integrate beneficially into the global economy.

13. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Supporting initiatives that help empower people living in poverty, especially female householders, and promoting their capacities for self-organization to enable them to better utilize available opportunities, basic social services and productive resources;

(b) Learning from past policy reforms and building on successful experiences;

(c) Promoting an equitable distribution of the benefits of growth and development in favour of the poor, in particular women;

(d) Continuing efforts toward sound economic management with a view to attaining levels of economic growth necessary for reaching the objectives of the Programme of Action. Efforts should also continue towards keeping inflation low, maintaining fiscal and external sector stability, and fostering a sound financial sector;

(e) Promoting the efficiency of markets within a prudent institutional, regulatory and supervisory setting;

(f) Improving linkages between different economic activities and reorienting incentive structures to enhance efficiency and improve competitiveness;

(g) Integrating sectoral reforms within broader development objectives and deepening reforms in key areas including the financial sector, public utilities and the transport infrastructure;

(h) Ensuring access of the poor to basic social services as an integral part of human rights to equip them to take advantage of emerging opportunities.

(i) Promoting a comprehensive and integrated information base, including through strengthening of national statistical systems;

*(ii) Actions by development partners*

(a) Facilitating an external environment conducive to full and timely realization of the objectives of the Programme of Action;

(b) Extending substantially increased support to national policies in LDCs;

(c) Strengthening coordination of donor support with a view to improving the quality and effectiveness of such support, while avoiding proliferation of conditionalities and ensuring that implementation capacities in LDCs are not unduly overstretched;

(d) In the area of human and institutional capacity building, ensuring that donor support leads to genuine strengthening of national capacities in LDCs and does not replace them;

(e) Supporting sectoral policies and programmes in a manner that ensures a good balance between economic objectives, such as strengthening and diversification of the LDC economies, and social goals, such as enhancing social development;

(f) Undertaking public information and education campaigns in donor countries, with the participation of relevant stakeholders to increase awareness and public support in favour of LDCs' development.

**Commitment 2: Promoting good governance**

14. Successful implementation of the objectives, policies and measures contained in the Programme of Action will require, among other things, that these be supported by principles and practices of good governance, involving transparent, accountable, clean and well-functioning institutions and practices within the Government, the private sector and civil society.

15. In LDCs, many institutions and processes are weak, reflecting low overall levels of socio-economic development. It should be recognized that promoting good governance in these countries is a daunting undertaking and should be approached with a long-term view. Governance issues at the international level that affect LDCs' development also need to be fully addressed. Enabling the LDCs to have a greater voice in international institutions and processes is an important task in this regard.

16. LDCs will aim to continue to work along the following axes, with appropriate support from their development partners:

*(i) Actions by LDCs*

(a) Continuing efforts to establish an effective, fair and stable institutional, legal and regulatory framework for public, private and civil society activities in order to strengthen respect for the rule of law and to foster full participation of all relevant stakeholders at national and local levels in the development process;

(b) Promoting political, civil, economic, social and cultural rights, as well as progressively integrating human rights principles and norms into development;

(c) Fostering fair, transparent and well functioning executive, legislative and judicial institutions. This should involve promoting accountability, efficiency and ethical standards in the civil service, while ensuring better remuneration for civil servants; organizing open, free and fair elections to national and local legislative bodies; and guaranteeing the independence of the judicial system;

(d) Promoting decentralization and local governance to facilitate broad-based popular participation in development;

(e) Enabling the poor to have a greater and more explicit role in the governance process by strengthening their social networks;

(f) Promoting gender equality and the empowerment of women as effective ways to combat poverty, hunger and disease and stimulate growth and sustainable development;

(g) Strengthening human and institutional capacities, within the Government and other stakeholder entities, for the formulation, application and evaluation of policies and actions for good governance;

(h) Continuing efforts to fight corruption by identifying gaps in transparency and accountability and strengthening anti-corruption laws and regulations and their effective application.

*(ii) Actions by development partners*

(a) Facilitating an improved and effective participation of LDCs in international dialogue and action on development, peace and security, as well as in decision and rule-making and standard-setting in all areas affecting their development;

(b) Providing adequate financial and technical support for human and institutional capacity-building for good governance. In doing so, the principle of sovereignty, as well as social, cultural and religious sensitivities of individual LDCs, will be fully respected;

(c) Providing appropriate assistance to resolve conflicts and other complex emergencies in LDCs, as well as adequate support for confidence-building, post-conflict peace-building and reconstruction, and meeting humanitarian needs, including for the poor, refugees and internally displaced persons;

(d) Assisting LDCs in combating corruption by ensuring transparency of development cooperation programmes, including tendering for international aid projects, and collaborating with LDCs to prevent capital flight and money laundering and to repatriate flight capital;

(e) Assisting in building partnerships and networks between domestic institutions in LDCs, including those in the private sector and civil society, and relevant intergovernmental, private sector and non-governmental institutions at the international level.

### Commitment 3: Building human capacities

17. LDCs' greatest assets are their women, men and children whose potentials as both agents and beneficiaries of development must be fully realized. Efforts at development of human capacities in LDCs have been constrained by slow demographic transition, low school enrolment and low health, nutrition and sanitation status, including the prevalence of communicable diseases such as HIV/AIDS, malaria and tuberculosis. Making steady progress in this area is a major priority during the decade.

#### A. Major goals and targets

18. To this end, LDCs, with the support of their development partners, will pursue the following goals and targets:

(a) Reduction of the number of primary-school-age children who are out of school by 50 per cent between 2000 and 2010, and achieving a minimum primary enrolment of 90 per cent by 2010;

(b) Increasing the adult literacy rate by one-quarter by mid-decade;

(c) Achieving gender parity in access to primary education by mid-decade;

(d) Reduction in the rates of infant and under-5 mortality between 2000 and 2010 by at least one-third;

(e) Reduction in the maternal mortality ratio between 2000 and 2010 by at least one-third;

(f) Reduction in the percentage of stunted children under 5 years of age by at least one-third of the 2000 level by 2010;

(g) By 2010, reduction by one-third from the 2000 level in the number of people who do not have access to hygienic sanitation facilities and adequate quantities of affordable and safe water;

(h) Reduction in HIV infection rates in young persons aged 15-24 by at least 25 per cent in the most affected countries.

## B. Social infrastructure and social service delivery

19. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Increasing budgetary allocations in favour of social infrastructure and basic social services, including through intersectoral reallocation and appropriate cost-recovery measures that protect the poor;

(b) Enhancing the efficiency and effectiveness of social sector investment, including through greater reliance on a participatory local community approach;

(c) Promoting, with full support from development partners, implementation of the 20/20 initiative with a view to facilitating universal access to basic social services;

(d) Encouraging involvement of all stakeholders, including civil society and local communities, particularly their poor members, in the design, implementation and evaluation of measures relating to the provision of social infrastructures and basic social services;

(e) Providing training to social service providers, particularly teachers and health-care personnel, with appropriate gender-orientation;

(f) Encouraging private provision of social infrastructure and social services within a good regulatory framework, while bearing in mind the high degree of market failures in these areas in LDCs;

(g) Giving adequate priority to sustainable human settlement in rural areas and urban locations with a concentration of the poor;

(h) Making efforts towards the establishment of national health accounts systems.

*(ii) Actions by development partners*

(a) Making available increased ODA to support provision of social infrastructure and social services;

(b) Promoting innovative sources of funding and providing technical support through partnerships among LDC and donor Governments, the national and international private sector, and NGOs and foundations.

(c) Assisting in improving collection and dissemination of relevant information, including in the establishment of national health accounts systems in LDCs.

## C. Population

20. Action by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Strengthening population policies and strategies consistent with their particular circumstances and demographic trends as an integral part of development policies;

(b) Giving priority to ensuring reproductive rights and reproductive and sexual health in the broader context of health-sector reform, including strengthening basic health systems for the benefit of the poor;

(c) Increasing investments designed to improve the quality and availability of reproductive and sexual health services;

*(ii) Actions by development partners*

(a) Providing increased support to LDCs in their efforts to build national capacity for formulating and implementing population and development policies and strategies and to access and use appropriate technology and know-how;

(b) Assisting LDCs to redress the severe inadequacies in demographic data that hamper effective population planning.

## D. Education and training

21. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Assigning high priority to education, particularly basic education and vocational training, in development budgets, and increasing substantially expenditure on teaching materials to improve the quality of education;

(b) Redressing pro-urban and pro-male bias in educational policies by actions on both the demand and supply sides, and creating an enabling environment toward substantial improvement in girls' enrolment at primary and secondary levels;

(c) Developing and strengthening instruction on science and technology, particularly information and communications technologies (ICTs), and exploiting the potential contribution of ICTs to learning, including through the use of distance learning;

(d) Taking measures to reduce drop-out rates, particularly to retain poor children in school;

(e) Promoting partnership with the private sector in an integrated system that links education, training and employment;

(f) Developing an incentive system to attract highly qualified nationals working abroad.

*(ii) Actions by development partners*

(a) Providing greater ODA resources, from both bilateral and multilateral sources, to reach international goals and targets on education and literacy;

(b) Providing support to institutional capacity-building for the formulation and implementation of human resources development policies and intensifying efforts to transfer knowledge and improve the capacity for local knowledge creation in LDCs;

(c) Encouraging and assisting LDCs in building capacities for secondary and tertiary education and vocational training.

## E. Health and sanitation

22. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Increasing public expenditure and encouraging greater private investment to achieve international goals and targets in the area of health and sanitation;

(b) Developing sustainable pro-poor health systems by promoting community participation in planning and managing basic health services, including health promotion and disease prevention;

(c) Embarking on prioritized and verifiable programmes for the prevention, treatment and control of communicable disease, particularly HIV/AIDS, malaria and tuberculosis;

(d) Encouraging domestic research capacity-building, and fully exploiting traditional knowledge systems in the areas of health, as well as best practices elsewhere;

*(ii) Actions by development partners*

(a) Increasing ODA and technical support in the areas of health, safe water and sanitation;

(b) Assisting LDCs to improve access to essential medicine and vaccines, including life-saving drugs at affordable and/or no cost, including through an active role by multinational pharmaceutical companies;

(c) Supporting LDC Governments in expanding and strengthening programmes related to HIV/AIDS, malaria and tuberculosis, in partnership with NGOs and other national stakeholders.

## F. Social protection and social integration

23. The poor suffer from more than lack of income. Poverty fosters social exclusion and exposure to shocks, man-made or natural. Lack of economic resources severely limits their capacity to withstand such shocks. Actions by LDCs and their partners should aim to mitigate exclusion and engender social integration and social protection with a view to fostering safer, more stable and secure societies:

*(i) Actions by LDCs*

(a) Supporting civil society, including community organizations, in efforts to invest in building social capital and social networks, particularly for the poor and marginalized;

(b) Promoting appropriate legislation for greater social integration and social inclusion, paying special attention to women, minorities and other vulnerable groups;

(c) Educating on socially divisive issues, including intolerance based on race, religion, sex, age or ethnicity;

(d) Promoting diversification of income sources and crop and plot utilization, with the full participation of those involved at the community level;

(e) Establishing and strengthening schemes for micro-finance community banking and insurance that focus on the poor and marginalized, particularly women.

*(ii) Actions by development partners*

(a) Expanding support for policies and measures that enhance social integration and social protection, as well as for organizations and mechanisms in the governmental and non-governmental sectors promoting such policies;

(b) Strengthening the capability of relevant UN agencies to promote social integration and social protection, particularly in complex emergencies and in post-conflict and disaster management strategies;

(c) Intensifying international efforts to protect the human rights and dignity of all migrants and the social and economic integration of documented migrants.

**Commitment 4: Strengthening productive capacities**

24. The capacity of LDCs to accelerate growth and development is impeded by various structural constraints, particularly supply-side weaknesses such as low technological capacity, inadequate physical infrastructure, lack of access of the poor, particularly women, to productive resources and services, lack of institutional capacities in both public and private sectors and of skilled human resources, and lack of an enabling business environment. Geographical handicaps faced by land-locked and island LDCs magnify the impact of these impediments.

25. A paramount objective of the actions by LDCs and their development partners should be to continue to strengthen productive capacities by overcoming structural constraints. Availability of increased public investment and ODA resources will be critical in this regard. LDCs should be treated with flexibility in the application of relevant multilateral disciplines, without compromising those disciplines, so as to allow them a degree of freedom in providing appropriate incentives with a view to improving productive capacity and diversification and raising competitiveness.

***Cross sectoral areas***

## A. Physical Infrastructure

26. The objective of actions by LDCs and their development partners is to provide a reliable and cost-effective physical infrastructure, which is essential for efficient operation of existing productive assets and enterprises and attracting new investment. The specific problems of land-locked LDCs deserve particular attention.

27. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Increasing public investment in transport infrastructure, including stepping up investment in rural transport systems to improve the potential of agriculture, and seeking ways to encourage participation of private capital in such infrastructure;

(b) Providing support to the development and strengthening of critical areas of physical infrastructure such as telecommunications, information and communications technologies, and water and energy sectors, including through the encouragement of private investment;

(c) According high priority to a subregional approach to economic infrastructure rehabilitation and development in order to gain economies of scale and attract both FDI and donor funding.

*(ii) Actions by development partners*

(a) Raising substantially the level of ODA allocated to the productive sectors, with special emphasis on augmenting public investment in upgrading and developing physical infrastructure;

(b) Providing support to infrastructural programmes in order to facilitate regional and subregional complementarities, including between land-locked LDCs and their transit partners.

## B. Technology

28. Enterprises in LDCs are characterized by employment of low-level technologies, lack of resources to acquire new technologies, and low capability for upgrading old technologies or adapting and utilizing new ones when they are available. Transfer of technology by

transnational corporations is often inhibited by lack of absorptive capacity of local enterprises. The growing gap between LDCs and other developing countries, including in the areas of new technologies such as ICTs, biotechnology and environmentally sound technologies, will need to be addressed through concerted actions by LDCs and their development partners:

*(i) Actions by LDCs*

(a) Articulating policies and measures to facilitate the acquisition and development of technology and to enhance innovation capacity;

(b) Attracting FDI that is conducive to a transfer of technology, and building up supply capabilities and promoting inter-firm linkages in order to foster the diffusion of new technologies within the economy;

(c) Intensifying linkages between technology upgrading to meet international standards and export development and diversification, including in the area of ICTs;

(d) Promoting appropriate and sustainable technologies by investing in local research and development and capacity-building programmes and by utilizing new and emerging technologies, including the Internet.

*(ii) Actions by development partners*

(a) Providing financial assistance to enable LDCs to achieve levels of investment in infrastructure for education and training that are consistent with building local technological capabilities;

(b) Assisting LDC firms (e.g. through provision of information or a communication forum) to link up with firms in developed countries in ways that would play a catalytic role in LDC technological development. Such linkages could take the form of joint ventures, marketing arrangements, sub-contracting or arrangements for procurement of technology;

(c) Considering innovative mechanisms with a view to according LDCs special treatment in facilitating transfer and development of technology;

(d) Fostering concerted international partnership to bring the benefits of ICT to LDCs to improve connectivity and reduce the "digital divide".

## C. Enterprise development

29. Production in most LDCs, particularly in the private sector, is dominated by smallholder farmers and small, mostly informal-sector, industrial and service enterprises which supply most basic goods and services and generate the greater part of employment and incomes. However, the majority of these enterprises have difficulties in expanding into medium and large-size ones, and usually lack entrepreneurial skills and financial and non-financial business development services.

30. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Providing informal, small and medium-size enterprises in rural and urban areas with access to finance, as well as targeted business support services such as information and training;

(b) Removing legal and institutional barriers to support the informal sector, including by improving access to power, land, water and credit;

(c) Paying attention to the need to facilitate the graduation of enterprises from the informal to the formal sector and from micro to small to medium-size enterprises;

(d) Assisting women entrepreneurs and other disadvantaged groups to overcome the special obstacles they face;

(e) Creating mechanisms for public-private sector dialogue in order to enhance policy coherence and in this regard assist capacity-building of representative business associations.

*(ii) Actions by development partners*

(a) Complementing the domestic efforts of LDCs by supporting programmes to improve access of informal, small and medium-size enterprises to finance;

(b) Providing support to strengthen managerial and technical skills and other business support services, including access to information.

## D. Energy

31. The levels of production and consumption of energy in the majority of LDCs are inadequate and unstable. The majority of people, especially in rural areas, have little access to commercial energy. Lack of adequate energy supply is a critical constraint on the development of supply capacity. The LDCs will need to put in place rural energy policies and technologies that promote a mix of cost-effective, clean fossil and renewable energy sources for sustainable development:

*(i) Actions by LDCs*

(a) Facilitating the availability of affordable and sustainable energy, including through the introduction and promotion of innovative financing schemes in rural areas, such as micro-financing and cooperative arrangements for credit and licensing agreements, in order to encourage the involvement of the private sector in providing energy services;

(b) Promoting renewable energy development by putting in place an enabling policy environment, with appropriate institutional arrangements;

(c) Encouraging subregional cooperation in research and development as well as investment to increase the production and consumption of both renewable and clean fossil fuels and to encourage the interconnection of energy grids between LDCs and their neighbouring countries.

*(ii) Actions by development partners*

(a) Providing financial assistance through revolving funds for the development of natural gas and other clean energy sources;

(b) Facilitating the transfer of clean energy technologies;

(c) Promoting capacity building through national and regional centres of excellence;

(d) Supporting LDCs in coping with increases in prices of energy imports.

***Sectoral areas***

## E. Agriculture and food security

32. Agriculture is the pivotal sector in the LDCs, as it underpins food security, socio-economic performance, foreign exchange earnings, industrial development, and employment generation. Lack of food security is the most typical face of poverty for both urban and rural people in LDCs. All efforts will be made towards advanced implementation of the target of the World Food Summit to reduce the number of chronically undernourished people by 2015. It is important that LDCs and their partners concentrate on enhancing productivity and competitiveness for food staples and traditional as well as non-traditional agricultural exports that demonstrate a greater potential for foreign exchange earning. Such a strategy should promote rural development, strengthen food security and lay a foundation for diversification of production and exports.

33. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Addressing undercapitalization in agriculture, as well as its low productivity, by increasing public investment outlays for programmes for enhancing investment in rural economic and social infrastructure, improving access to rural credit facilities, providing improved investment incentives, and supporting institutions involved in research and development and extension;

(b) Strengthening support institutions for agriculture and rural development and facilitating their adaptation to changing conditions while giving due importance to access of the poor and women to support services and productive resources, particularly land, water, credit and extension services;

(c) Encouraging structural adaptations in production, processing and marketing systems so as to respond to evolving consumption partners and to build on complementarities between production of cash and food crops and livestock, fisheries and forestry;

(d) Taking appropriate measures to conserve soil fertility and forestry and rehabilitate marginal lands, and to facilitate access of farmers to appropriate high-yield varieties of both food and cash crops, as well as to domestic and external markets;

(e) Promoting agro-based rural industries as a means to improve agricultural technology and raise rural incomes and foster stronger forward and backward linkages between agriculture and industry;

(f) Diversifying production and exports from low value-added to high value-added products;

(g) Promoting national mechanisms to set priorities and measure for food security and their implementation and monitoring;

(h) Supporting and encouraging grassroots development activities, rural cooperatives and community food security initiatives.

*(ii) Actions by development partners*

(a) Facilitating greater flows of ODA and other resources to respond to public investment needs in agriculture, enhance productivity and increase competitiveness;

(b) Facilitating access of LDCs to appropriate agricultural technologies and practices.

(c) Focusing technical cooperation more effectively on development and mobilization of institutional capacity in the areas of agriculture, rural development and food security.

## F. Manufacturing and mining

34. Manufacturing is critical to the pursuit of sustained growth in the LDCs because of their potential to enhance technological capacities, advance the diversification of production and exports, add value to exports, and foster inter-sectoral and inter-industry linkages. For a number of LDCs, mining is an important actual or potential source of foreign exchange earnings. Recent reforms, which include privatization of manufacturing and mining industry, have enhanced prospects of private foreign and domestic investment in mining.

35. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Enhancing complementary public investment with a view to supporting rehabilitation and development of the manufacturing sector and fostering domestic and foreign private investment;

(b) Employing selective, performance-related and time-bound protection of infant industries. Such protection should be used strictly as a transitional device to address market failures and promote learning and capacity-building for future competitiveness;

(c) Creating a framework that fosters horizontal and vertical ties among manufacturing firms and promotes collective efficiency, stimulates learning, and facilitates their access to infrastructure, training, information and financial intermediation;

(d) Developing capacity to undertake geological mapping, maintain an updated data bank on mineral resources, and provide physical infrastructure in known mineralized areas with a view to stimulating private-sector interest in mining;

(e) Encouraging local processing and value adding, including through diversification, and assisting informal, small-scale artisanal mining entities to upgrade into organized, formal small-scale mining units.

*(ii) Actions by development partners*

(a) Providing greater financial support for public investment in the manufacturing and processing sector, complemented by appropriate technical assistance;

(b) Providing technical support for geological mapping and compilation of basic data on local mineral potential, as well as acquisition of new technologies, skills and modern methods of management by small-scale mining entities.

## G. Services and niche products

36. Services such as tourism, transport and business services are becoming increasingly important for LDCs, both as a direct source of foreign exchange earnings and for the expansion of the production base and diversification of exports. Tradable services are of particular importance to small island LDCs, which have a limited capacity for merchandise production. The emergence of niche markets for goods or services in which LDCs may have a comparative advantage represents an opportunity for LDCs to diversify their exports. Exports in this category range from horticultural, meat, fish and organic products and handicrafts to information services, cultural products and ecotourism.

37. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Encouraging the strengthening and development of international services, including the new and emerging ones such as those that rely on telecommunications and ICTs, e.g. data processing services;

(b) Improving the availability and efficiency of infrastructure facilities to support services trade;

(c) Carrying out appropriate market research to identify new trading opportunities conducive to niche product development.

*(ii) Actions by development partners*

(a) Providing financial and technical assistance to help individual LDCs to develop the infrastructure for tradable services in which they have a comparative advantage;

(b) Providing assistance in export promotion and marketing.

## Commitment 5: Making globalization work for LDCs

38. The ongoing process of globalization and interdependence is potentially a powerful and dynamic force affecting growth, poverty eradication and sustainable development for LDCs. So far, the LDCs have benefited little from globalization, while their exposure to vulnerabilities arising therefrom remains acute. Unless strong actions are taken to reverse LDCs' marginalization in global trade, finance, investment and technology flows, and thus help them integrate beneficially into the globalizing world economy, the objectives of this Programme of Action will not be fulfilled. Mainstreaming trade priorities into overall development plans and poverty reduction strategies of LDCs would contribute to the their effective integration into the global economy.

### A. Trade, commodities and regional trading arrangements

39. Specific actions relating to productive capacity, finance, investment, technology and human resource development are covered under other commitments. The actions below relate to external trade and related areas, commodities and regional trading arrangements, and should be read in conjunction with policies and actions under other commitments.

*(i) Actions by LDCs*

40. Actions by LDCs will include:

(a) Strengthening efforts to integrate trade policies into development and poverty reduction strategies;

(b) Capacity-building in trade policy and related areas such as tariffs, customs, competition, investment and technology, including through the use of the Integrated Framework for Trade-related Technical Assistance for LDCs (IF);

(c) Improving economic openness and policy predictability, and ensuring greater synergies and coherence among different policy areas;

(d) Developing human and institutional capacities for full participation in the multilateral trading system and for effective negotiations on trade, finance, technology transfer and related areas;

(e) Removing procedural and institutional bottlenecks that increase transaction costs, including through efforts to improve efficiency, efficacy and transparency of the implementation of trade facilitation measures and improving standards and quality control;

(f) Identifying lead subsectors to take advantage of actual and potential supply capacity and market access conditions, creating an enabling environment and incentive structure, and fostering forward and backward linkages;

(g) Intensifying horizontal and vertical diversification, including local processing of primary commodities;

(h) Promoting public and private sector cooperation and collaboration in such areas as skill building, enhancing competitiveness, market research and development, assessment of emerging opportunities and business support services;

(i) Making committed efforts towards lowering transaction costs and improving trade efficiency with the full involvement of concerned stakeholders, including traders and service providers;

(j) Promoting regional and subregional cooperation for export promotion and, in the case of land-locked LDCs, transit-transport cooperation, as well as for learning lessons from successful experiences in the countries of the region.

*(ii) Actions by development partners*

41. Development partners will aim, through actions including within relevant multilateral forums, at:

*Market access*

(a) Removing all trade barriers facing LDCs' exports in the markets of developed trade partners in the shortest possible time, and in any case no later than 2003. This action will consist of the following set of mutually reinforcing measures: provision of bound, duty-free, quota-free access for all products exported by the LDCs; removal of non-tariff barriers affecting all their export products; simplification and harmonization of existing rules of origin of all LDCs' preference-giving countries.

*Special and differential treatment*

(b) Agreeing to treat all the provisions on special and differential treatment in favour of the least developed countries in multilateral trade agreements as binding commitments and pursuing their immediate implementation, as well as making special and differential provisions time-bound until a country graduates from the LDC category;

(c) Exempting all LDCs, including those acceding to WTO, from undertaking commitments on domestic support and export subsidies in the areas of agriculture, and expanding non-actionable categories of industrial subsidies to include those subsidies for development, diversification and upgrading of industries needed by LDCs;

(d) Making technical assistance for the implementation of multilateral trade agreements mandatory and an integral part of commitments to be undertaken in future trade agreements;

(e) Reviewing the implementation of the WTO Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures with a view to responding to the special problems of implementation of the provisions of these Agreements by the LDCs;

*Accession to WTO*

(f) Reaching an agreement among the WTO members to suspend negotiations with acceding LDCs pending early finalization of minimum criteria and procedures for accession applicable to them. In drawing up minimum criteria and procedures for accession, members would be guided by the following principles: automatic eligibility of all acceding LDCs for all provisions on special and differential treatment in existing WTO agreements; exercise of restraint by WTO members in seeking concessions in the negotiations on market access for goods and services, which should correspond in scope to that of WTO members of similar size and level of development; and provision of adequate technical assistance to support the accession process;

*Standard-setting and quality control*

(g) Increasing support for participation by LDCs in international standard-setting organizations in order to ensure that their concerns are taken into account;

(h) Providing assistance to LDCs in developing infrastructure to ensure quality control and conformity to international standards of their products;

*Integrated Framework (IF)*

(i) Implementing expeditiously and effectively the Integrated Framework for Trade-related Technical Assistance for LDCs;

(j) Making significant contributions to the IF Trust Fund, as well as substantial increases in the regular budgets for technical cooperation of the core agencies of the IF devoted to LDCs.

*Commodities*

(k) Supporting capacity building in the areas of research and development, production, processing and marketing of commodities;

(l) Expanding the activities of the Second Account of the Common Fund for Commodities and increasing the funding made available to it to finance diversification programmes in LDCs, including adaptive research and development (R&D) on production and processing aimed particularly at smallholders and small and medium-sized enterprises in these countries;

*Regional trading arrangements*

(m) Providing appropriate special measures for LDCs in regional integration arrangements, including: provision of duty-free, quota-free treatment to all their products in RTAs; ensuring that LDCs members of RTAs are subject to longer transition periods in trade liberalization and more flexible sets of rules, particularly those relating to rules of origin, in order to support the building of productive capacities to participate in meaningful and beneficial trade; providing support to concrete joint subregional projects involving LDCs and non-LDCs participating in a subregional trade arrangement and intended to enhance the benefits of integration for LDCs;

(n) Ensuring that multilateral trade rules relating to regional trade arrangements involving LDCs and developed countries are supportive of greater flexibility, including longer timeframes for LDCs to adjust gradually to more competitive trade regimes.

## B. Reducing the impact of external economic shocks

42. The LDCs are structurally more exposed than most other developing countries to external economic shocks. Many dominant commodities or service sectors are vulnerable to adverse physical or economic shocks. LDCs also suffer the consequences of major global and regional economic and financial disturbances and increases in the prices of critical imports such as energy imports. In addition to the actions below, those under other parts of the Programme of Action, particularly Commitments 4 and 7, are also relevant:

*(i) Actions by LDCs*

(a) Pursuing a balanced external sector policy that seeks to limit transmission of external shocks into the domestic economy while promoting gradual liberalization;

(b) Providing safety nets, with the support of development partners, to protect the poor and vulnerable segments of the population against the consequences of external shocks;

(c) Intensifying efforts to improve international competitiveness and achieving better trade efficiency and reduced transaction costs including through the use of electronic commerce and other facilities based on modern technology;

(d) Encouraging diversification and re-specialization in economic activities that are less prone to adverse external economic influences, based on local competitive advantages.

*(ii) Actions by development partners*

(a) Ensuring minimization of the risks of adverse external economic shocks which most LDCs are faced with by, among other measures, promoting a more predictable and stable international economic environment for these countries. This implies a coordinated effort to alleviate the risk of frequent and sharp fluctuations in international commodity prices and in exchange rates;

(b) Providing contingency financial assistance, including balance-of-payments support, to cope with the consequences of serious external shocks;

(c) Strengthening the institutional and technical capacities of LDCs to gain access to modern risk management techniques in anticipation of international price instability;

(d) Enabling LDCs to reap maximum benefits from the international trading system and supporting them in enhancing trade efficiency, competitiveness and diversification.

## Commitment 6: Reducing Vulnerability and Conserving the Environment

43. The LDCs are acutely vulnerable to a variety of natural shocks, including natural disasters, severe structural handicaps, and susceptibility to global environmental phenomena such as global warming, which entails or exacerbates drought, desertification, and sea level rise. Environmental degradation in LDCs often results from poverty that deprives households, village communities or enterprises of the means and technology required to preserve the environment. While long-term threats to the global environment are a common concern of all countries, the LDCs are especially susceptible to them. Such vulnerabilities generate considerable uncertainties in the development process of these countries, and tend to affect the poor most. Reduction of such vulnerabilities will be an important objective of joint actions by LDCs and the development partners.

### A. Alleviating vulnerability to natural shocks

44. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Strengthening disaster mitigation policies and mechanisms, with a particular focus on the poor, and involving local communities and NGOs in relief efforts;

(b) Pursuing or intensifying efforts to strengthen national early-warning and forecasting mechanisms, implementing preventive measures and sensitizing relevant parts of the population to the benefits of disaster preparedness and prevention;

(c) Organizing disaster preparedness policies beyond the range of short-term disaster threats. Such policies should also respond to prolonged disasters with a slow onset such as drought, which often has very severe economic, environmental and social impacts;

(d) Considering the creation of innovative financial instruments, such as special insurance schemes, to facilitate post-disaster reconstruction with a view to maintaining standards of living and productive capacities in the LDCs.

*(ii) Actions by development partners*

(a) Giving priority attention to the LDCs in the substantive programme and institutional arrangements for implementing the new International Strategy for Disaster Reduction;

(b) Providing assistance for disaster mitigation, as well as for improving the capacity of LDCs to identify mitigation scenarios and establishing protective measures and contingency plans;

(c) Supporting effective participation of LDCs in regional early-warning networks and satellite-driven technologies.

**B. Protecting the environment**

45. Actions by LDCs and the development partners will be along the following lines:

*(i) Actions by LDCs*

(a) Increasing efforts to ensure integrated responses to environmental and economic constraints, in the light of country-specific environmental and economic constraints and profiles of poverty and vulnerability;

(b) Strengthening the institutional and technological capacity to promote sustainable development by increasing the ability of policy makers to formulate and implement relevant legislation and environmental management plans;

(c) Recognizing the important role of women in land and forest management and in the choice and dissemination of appropriate technology;

(d) Encouraging sensitization and advocacy activities through greater reliance on local communities, civil society and educational institutions.

*(ii) Actions by development partners*

(a) Granting increased financial resources and improved access to environmentally sound technology to the LDCs. Appropriate international support will be provided to protect the LDCs against actual or potential effects of environmentally negative trends and practices such as climate change, marine pollution, and transboundary movements of hazardous waste;

(b) Bringing to fruition principle 6 of the Rio Declaration on Environment and Development by granting special priority to LDCs in international support, as well as facilitating relevant actions as recommended in the Programme for the Further Implementation of Agenda 21. This involves financial transfers and capacity-building efforts, including for the development and dissemination of modern and non-polluting energy resources, especially in rural areas;

(c) Renewing the international community's commitment to support, financially and technically, the formulation of national environmental policies, development of human resources and institutional capacities, and environmental data bases.

**Commitment 7: Mobilizing financial resources**

46. The longer-term objective of actions in mobilizing financial resources for LDCs' development by LDCs and their partners will be to foster, over the decade, a greater reliance on domestic savings and investment, earnings from exports, and improved private capital flows, including FDI. In order to reach this objective, LDCs and their partners must adopt a systemic and integrated approach that seeks to maximize the positive interrelationships and mutual synergies between domestic resource mobilization, aid, private capital inflows and debt relief.

47. Such an approach must address the serious shortfalls with regard to the availability of financial resources, including underinvestment in physical infrastructure, human capital formation, and maintenance of peace and security and law and order, and undercapitalization of private sector enterprises, mainly in small-scale agriculture and the urban informal sector.

48. There is very limited scope, in the foreseeable future, to meet these multiple development finance requirements with domestic resources because of sluggish growth or economic stagnation, widespread poverty and a weak domestic corporate sector. The large investment requirements of LDCs imply that a transition to increased reliance on domestic resources and private capital inflows will require greater ODA flows.

## A. Domestic resource mobilization

49. The key to increasing domestic resource mobilization and reducing dependence on external finance lies in achieving and sustaining high per capita growth rates and taking national and international policy measures which ensure that, when economic growth occurs, an increasing proportion of rising national income is saved and invested.

### *(i) Action by LDCs*

50. Efforts of LDCs will include:

(a) Strengthening actions to stimulate domestic savings. In line with the experience of more successful developing countries, attaining the following ranges of savings rate can be desirable: for those LDCs where domestic savings are less than 5 per cent of GDP, or even negative, an increase in domestic savings by at least 5 percentage points during the decade, whilst ensuring minimal consumption standards and reducing poverty; for the few LDCs which have domestic savings rates around 10-15 per cent of GDP, an increase in domestic savings by 10 per cent during the decade;

(b) Developing efficient and appropriate financial systems within LDCs. This should involve fostering development of competitive financial markets, improving the quality and efficiency of the services provided by formal-sector financial institutions, and bringing intermediation in informal financial markets under an appropriate legal and regulatory framework to ensure protection of the poor;

(c) Establishing stronger links between financial sector development and measures to develop the real economy;

(d) Promoting innovative rural financial institutions such as micro-credit systems to mobilize rural and informal sector savings and deliver financial services to the rural poor, including smallholders and the self-employed, particularly women. Besides designing appropriate mechanisms, this would involve legal and regulatory frameworks governing rural financial markets;

(e) Continuing efforts at strengthening prudential legislation governing banks and other financial institutions, and providing central banks with appropriate legal authority and supervisory and surveillance capacity to enforce compliance with relevant laws and regulations;

(f) Encouraging the private sector to participate increasingly in the banking sector to enhance competition, while continuing to improve the performance of public sector banks through recapitalization, providing managerial training, strengthening accounting and audit practices and developing modern management information systems;

(g) Improving the efficiency and equity of tax collection systems, enhancing the effectiveness and transparency of public expenditure, avoiding excessive public sector borrowing, and making highly selective and carefully targeted use of subsidies.

*(ii) Actions by development partners*

51. The development partners will:

(a) Ensure that aid and debt relief measures support rather than undermine domestic resource mobilization efforts. This implies constant attention to the productivity and sustainability of investments financed through aid, as well as awareness of the fiscal implications of aid and debt relief;

(b) Explore innovative mechanisms for linking the volume of aid flows, beyond the minimum commitments necessary to achieve short-term poverty reduction goals, to increased domestic resource mobilization;

(c) Provide adequate technical and financial support to the efforts of LDCs in the areas of financial sector reform and in improving access of the poor to credit.

## B. Aid and its effectiveness

52. The quantity and quality of ODA should be such as to enable LDCs to ultimately reduce aid dependency. An essential condition for achieving this objective is the improvement of aid volume and aid effectiveness in a manner that helps LDCs attain the growth rates set out earlier in order to meaningfully approach the goal of reducing poverty by one-half by the year 2015. ODA targets set out in the Programme of Action for the 1990s remain relevant. Some donors fully met or exceeded those targets, while some other donors have been making efforts to improve their aid programme.

*(i) Actions by LDCs*

53. LDCs will seek to:

(a) Establish comprehensive and coherent budgets and medium-term expenditure plans. Setting up the necessary public sector auditing and accounting systems, ensuring effective management of development resources, and promoting dialogue among the Government, other national stakeholders and development partners are among the basic preconditions for genuine national policy ownership.

*(ii) Actions by development partners*

54. Donors recommit themselves to making available to LDCs a significant and substantial increase in the aggregate level of external support. They will provide ODA on a grant basis and will achieve untying of aid as soon as possible, but no later than mid-decade.

In order to reverse the decline in ODA flows and to reach, as soon as possible, a flow of ODA commensurate with this substantial increase, donor countries will expeditiously implement the following actions that they committed to at the Second UN Conference on LDCs:

(a) Donor countries providing more than 0.20 per cent of their GNP as ODA to LDCs: continue to do so and increase their efforts;
(b) Other donor countries which have met the 0.15 per cent target: undertake to reach 0.20 per cent expeditiously;
(c) All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavours to reach the target;
(d) During the period of the Programme of Action, the other donor countries: exercise individual best efforts to increase their ODA to LDCs with the effect that collectively their assistance to LDCs will significantly increase.

55. Donors will also strive to improve aid effectiveness by:

(a) Ensuring that by mid-decade at least 50 per cent of ODA to LDCs is spent in LDCs;
(b) Integrating and coordinating aid within national plans and priorities;
(c) Improving stability and predictability of resource flows;
(d) Enhancing national ownership and administrative capacity;
(e) Adopting a long-term perspective on poverty reduction;
(f) Using technical assistance to genuinely bridge the technical capacity gap in LDCs and increasingly using national expertise.

56. An important opportunity for implementing partnership in a way that will improve aid effectiveness is to complement national-level performance indicators with the following donor performance indicators which capture these aspects of aid effectiveness:

(a) Percentage of ODA to LDCs actually spent in LDCs;
(b) Percentage of ODA commitments or expenditures which stand alone, outside agreed priorities or coordination systems (the greater the share, the worse the performance);
(c) The gap between actual aid disbursements and prior commitments;
(d) Percentage of aid provided on an untied basis;
(e) Percentage of aid that finds its way into the national budget system;
(f) Percentage of aid commitments which are longer-term, in particular within the framework of a medium-term expenditure framework;
(g) Donor responsiveness to recipient requests for information;
(h) Percentage of technical assistance expenditures on experts spent on national experts.

57. Donors should support the development of information systems which record, at the recipient country level, these indicators and other relevant information relating to aid

effectiveness, both for individual donors, at least the more significant ones in a particular country, and for the donor community as a whole.

58. Special attention should be given to the exceptional need for liquidity and contingency finance in the LDCs. Donors should:

(a) Devote greater attention to the potential stabilization role which they could play, purposefully altering the time profile of their disbursements for budget or balance-of-payments support in response to an individual recipient country's shock-generated need for liquidity;

(b) Develop innovative approaches, cutting across established institutional boundaries and the public/private sector divide;

(c) Explore the application of new and innovative transnational sources of financing to help least developed countries in the global economy.

## C. External debt

59. LDCs as a group face serious external debt problems and more than one-half are included among the highly indebted poor countries (HIPC). Their debt overhang continues to be a major hindrance to accelerating growth and reducing poverty, and threatens to undermine the essential political commitment to reform. The situation is aggravated further by effects of external financial turbulence, volatility of export earnings, and increases in the prices of essential imports. The debt overhang of LDCs also has adverse implications for domestic investment and private capital inflows.

60. The serious debt problems of LDCs necessitate a comprehensive solution, combining writing off unsustainable debt and measures to address structural causes of indebtedness, debt relief and increased official flows, with a view to ensuring that these countries do not fall back into arrears. Further actions taken by the Bretton Woods institutions following the Cologne Summit to provide faster, deeper and broader debt relief for the HIPCs augur well for such a solution. The full potentials of these actions should be expeditiously realized. The full cancellation of LDCs' debt by a number of creditors, as well as the debt relief granted to LDCs by a number of developing countries, is welcomed.

61. Action by LDCs and the development partners will be along the following lines:

*(i) Action by LDCs*

(a) Debt forgiveness works best in the context of a conducive national policy framework that effectively contributes to poverty eradication and promotes faster economic growth, including faster export growth and increasing investment, productive capacities, employment and productivity, savings and international competitiveness;

(b) Efforts should be made by LDCs to use resources released by debt relief as well as other sources of development finance in a manner that fully takes into account the interests of the poor and also promotes long-term economic growth and beneficial integration of LDCs into the global economy. LDCs need to sustain and intensify their efforts to improve debt management

capabilities and to enter into new borrowing commitments with due prudence;

(c) Since debt relief and poverty eradication are increasingly linked, it is necessary to ensure genuine ownership by LDCs on both fronts. This can be facilitated by joint actions by LDCs and their partners for a transparent arrangement involving the Government and other domestic stakeholders of the debtor countries and their creditors for an objective and comprehensive assessment of the debt problem of LDCs, including debt sustainability and levels of debt relief needed, as well as of effectiveness of LDCs' commitment and actions towards poverty eradication. Such an arrangement should be supported by an independent review of external debt and poverty eradication issues.

*(ii) Action by development partners*

(a) Expeditious progress will be made towards full cancellation of all outstanding debt owed by LDCs;

(b) As for LDCs that are also HIPCs, writing off all multilateral claims should be a high priority. Similar measures should be adopted for those LDCs that are not HIPCs. Sufficient resources should be mobilized for this purpose.

(c) There should be an immediate moratorium on debt service payments by LDCs pending full cancellation of debt.

(d) There should be continuous monitoring and review of LDCs' debt sustainability on the basis of objective criteria and independent analysis.

(e) Development partners should actively assist LDCs to gain ownership in the area of debt relief and poverty eradication along the lines set out at para. 61(i)(b) above.

(f) Mechanisms for debt relief, such as debt swaps, remain relevant and should be encouraged, particularly for creditors that are developing countries and countries with economies in transition.

(g) Regarding commercial debt of LDCs, orderly and equitable work-out procedures should be established, with explicit responsibilities of creditors and debtors and clearly defined roles for the public and private sectors.

## D. FDI and other private flows

62. The building of domestic productive capacity – and, more broadly, a vibrant domestic enterprise sector – is a primary objective of both LDCs and their development partners. Long-term foreign private capital flows have a complementary and catalytic role to play in this regard, as they can involve an array of tangible and intangible benefits, including export growth, technology and skills transfer, and employment creation. Attracting and benefiting from FDI is therefore important.

63. FDI and other private flows should be seen by LDCs as a complement to domestic investment, and efforts should be made to integrate these flows into a national development

strategy that seeks to promote domestic investment, savings and exports, and the development of domestic productive capacities and international competitiveness.

64. Promoting a conducive macro-economic environment and good governance, strengthening structural aspects of the economy and improved institutional and human capacities, which are considered in other parts of the Programme of Action, are relevant also in the context of enhancing FDI and other private flows. Development partners would need to provide a range of support measures, complementing LDCs' efforts to attract FDI.

65. Action by LDCs and the development partners will be along the following lines:

*(i) Action by LDCs*

(a) Strengthening the enabling environment for private sector development and foreign economic participation. Of particular importance is removing obstacles to the creation of new businesses, and developing a state-of-the-art regulatory and legal framework for FDI, along with the necessary institutional infrastructure and capacity to implement and maintain it;

(b) Directing policy efforts in ways which increase the returns on private capital investment and reduce risks that deter private capital inflows;

(c) Attracting foreign capital, especially FDI, that helps build supply capacity;

(d) Encouraging linkages between domestic businesses and foreign affiliates with a view towards helping to disseminate the latter's tangible and intangible assets, including technology, to domestic enterprises;

(e) Reducing the risks for foreign investors through the negotiation of bilateral and regional investment treaties and accession to international conventions providing investment guarantees and insurance, as well as dispute settlement;

(f) Entering into treaties for the avoidance of double taxation;

(g) Making efforts to improve the timely availability, as well as reliability, of investment information and statistics, including those related to investment opportunities and the regulatory framework.

*(ii) Action by development partners*

(a) Supporting LDCs in devising and implementing appropriate FDI strategies and policy frameworks and institutions through the development of a comprehensive approach to FDI and actions aimed at improving the regulatory framework and the availability of reliable investment information;

(b) Assisting in human resource development so as to enable LDCs to attract effectively and benefit from FDI and to participate effectively in negotiations on international agreements in this regard;

(c) Supporting efforts to attract FDI flows to infrastructure development projects, in particular small projects, taking into account the availability of local resources and existing international support mechanisms, as well as flows that entail a high degree of technology transfer;

(d) Emulating best practices in home country measures to encourage and facilitate FDI to LDCs;

(e) Supporting initiatives in the development of venture capital funds for LDCs.

## E. Global and regional public goods

66. Development partners should also give attention to the supply of global and regional public goods that can benefit LDCs. This is necessary as various environmental, health and technological issues are global or transnational in scope and there is under-provision of public goods in these areas. Particularly important for LDCs are agricultural research, including research on food staples, improvements in forecasting of natural disasters, and regional and subregional transport systems, including physical infrastructure and transport services, for land-locked and small island LDCs

## III. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING AND REVIEW

### A. Main orientations for implementation and follow-up

67. Success in attaining the objectives of the Programme of Action will depend critically on the effective functioning of the arrangements for its implementation, follow-up, monitoring and review at the national, regional and global levels. The main thrusts of these three tracks of follow-up will be:

(a) At the national level, each LDC and its partners will promote implementation of the actions contained in the programme of Action by translating them into specific measures within the frame work of its national programme of action. In doing so, special attention will be given to the particular circumstances and priorities of each LDC, and the need to appropriately build upon existing mechanisms such as the Poverty Reduction Strategy Papers (PRSP), the Comprehensive Development Framework (CDF), Common Country Assessments (CCA) and the United Nations Development Assistance Framework (UNDAF);

(b) Regional follow-up should focus on cooperation between LDCs and other countries at the regional and subregional level;

(c) The global-level follow-up should be primarily concerned with assessing the economic and social performance of LDCs, monitoring the implementation of commitments by LDCs and their partners, reviewing the functioning of implementation and follow-up mechanisms at country, regional and sectoral levels, and policy developments at the global level with implications for LDCs.

68. Follow-up, monitoring and review of the Programme of Action along the above tracks should involve all relevant stakeholders. They should be conducted in a coherent and mutually supportive manner. Consequently, well-functioning linkages should be built among different levels of follow-up. Through these processes, the actions identified in the Programme of Action will also be regularly adapted to new and evolving developments.

69. The goals and targets set out in the Programme of Action will be used to review and evaluate performance of LDCs and their development partners in implementing the various commitments. Besides follow-up mechanisms identified below, such performance reviews could be facilitated by independent peer reviews of the application of commitments by individual LDCs and their partners as part of the follow-up at national, sectoral, regional and global levels.

70. The follow-up and monitoring of the Programme of Action should contribute to coordinated follow-up of the implementation of recommendations and commitments of global summits and conferences, including their five-year reviews, as well as of other major agreements and initiatives on development as they relate to LDCs.

## B. Role of the United Nations system

71. As long-time partners in the development process of LDCs, the organizations of the United Nations system, including the Bretton Woods institutions, have a special role to play in the implementation of the Programme of Action. The experience, expertise and resources of the system, including at the field level, should be appropriately utilized for this purpose. The ongoing efforts at the country level by the UN system organizations, in particular within the framework of the Resident Coordinator system, to help LDCs translate goals and targets of major global conferences and summits into concrete actions in the light of national priorities, provide a unique process to promote an effective follow-up to the commitments of the Programme of Action. This opportunity should be fully seized.

72. The organizations of the UN system as well as other relevant multilateral organizations are invited to continue to accord high priority to LDCs and to integrate the provisions of the Programme of Action appropriately in their work programmes. They are encouraged to undertake multi-year programming of actions in favour of LDCs. Their executive bodies are requested to organize sectoral appraisals of the Programme of Action at regular intervals in their respective areas of competence and make available the outcomes of such appraisals to the annual global reviews. These organizations are also invited to participate fully in reviews of the Programme of Action at the national, regional and global levels.

73. The Secretary-General of the United Nations is requested to ensure at the secretariat level the full mobilization and coordination of all parts of the United Nations system to facilitate coordinated implementation and follow-up of the Programme of Action. The ACC is invited to consider setting up an appropriate inter-agency mechanism for UN system-wide follow-up of the Programme of Action. The system of focal points in each United Nations organization, which were set up in the context of preparations for the Conference, may be kept active in the context of review and follow-up of the implementation of the Programme of Action during the decade.

## C. National, regional and global level arrangements

### *National level*

*(i) Arrangements by LDCs*

74. The LDC Governments have the primary responsibility for the implementation of the Programme of Action at the national level. As mentioned above, they should undertake this task within the framework of their respective national programmes of action, with the full involvement of civil society and the private sector, and in cooperation with bilateral and multilateral development partners.

75. In some LDCs, national arrangements are already in place for broad-based and inclusive dialogue on development issues and policies. These forums are critical to ensuring genuine consensus and national ownership of national programmes of action and need to be fully supported. Other LDCs should follow this example by developing such national forums. National Preparatory Committees, set up for the preparations for the Conference with the participation of representatives from the public and private sectors and civil society, could be built up into such forums. The national forums, working in close collaboration with development partners, could provide a platform for regular and systematic follow-up and monitoring of the implementation of commitments by individual LDCs and their development partners at the national level, as well as providing inputs to follow-up at the global, regional and sectoral levels.

76. Success of the national forums will depend on effective human and technical capacity to carry out the necessary analytical and advocacy work relating to policy development and co-ordination. The UN system agencies, particularly UNDP and the World Bank, bilateral and multilateral donors and other development partners, are invited to provide necessary collaboration and support to the national development forums.

*(ii) Country review process*

77. The existing country review mechanisms such as the World Bank's consultative group and UNDP's round-table meetings should continue as principal coordination forums for development cooperation, as well as for mobilizing external development resources for LDCs, taking into account national development frameworks. These mechanisms should be strengthened and organized on a more systematic basis and should cover all LDCs. They should be broadened so as to encompass all donors.

78. The country review process should also provide support to strengthen linkages between the macroeconomic framework and sectoral strategies. Sectoral policies and strategies should be used more widely as a tool for aid coordination. There should be strong complementarities between the country review process and the national forums.

***Regional level***

79. The relevant United Nations regional economic commissions should undertake, in close coordination with the global-level and country-level follow-up processes and in cooperation with regional development banks and regional intergovernmental organizations, periodic regional monitoring and review of progress in the implementation of the Programme of Action. They should offer an opportunity for LDCs of their respective regions, together with neighbouring developing countries as well as other countries in the same region, to exchange experiences and seek solutions to common problems at the national, regional and global levels.

80. Regional-level follow-up should also promote regional policy responses to take better account of the needs of LDCs. It should assist LDCs in meeting demands of global competition by appropriately adapting existing regional and subregional frameworks and linkages in the area of trade, finance and investment, while at the same time improving the quality of their international economic integration.

81. The regional commissions should continue to ensure that the needs and problems of the LDCs are addressed as part of their ongoing work, and in this manner should contribute to the follow-up process at the national and global levels. Attention should be given to the need for strengthening capacities of the regional commissions in undertaking regional follow-up activities.

82. Regional development banks, regional organizations of developing countries and regional intergovernmental organizations are invited to give full attention in their economic analysis and monitoring to the problems, needs and achievements of LDCs and to provide appropriate inputs to the global-level follow-up and review process.

***Global level***

83. Arrangements for monitoring, follow-up and review at the global level are an integral part of the overall process, being all complementary and supportive to the above-mentioned arrangements at the country and regional levels.

84. As in the case of the past Programmes of Action, the General Assembly should continue to monitor the implementation of the new Programme of Action under a specific item on its agenda. The commitments undertaken in the Programme of Action should be appropriately reflected in the review of major global summits and conferences, as well as in forthcoming conferences and events and in their final outcomes.

85. During each regular session of the Economic and Social Council, beginning with its 2002 session, a joint meeting of the Economic and Social Council and the Trade and Development Board should review progress in the implementation of the Programme of Action. The annual *Least Developed Countries Report* will continue to provide analytical inputs to the annual review of the Programme of Action.

86. Each annual review will consider: (a) progress in the socioeconomic situations in LDCs and in the implementation of commitments by the LDCs and the development partners; and (b) a thematic cluster of issues from among those contained in the Programme of Action. An important function of the annual review will be to complement the Programme of Action with new agreed policies and measures in light of changing domestic and external circumstances. It will also serve as a forum for monitoring contributions by the UN system.

87. A high-level intergovernmental meeting will be convened in 2006 to conduct a comprehensive mid-term review of the Programme of Action and to consider new measures as necessary. Towards the end of the decade, the General Assembly may consider holding a fourth UN Conference on LDCs in order to make a comprehensive appraisal of the implementation of this Programme and to decide on subsequent action.

88. There is a critical need for an effective mechanism to support intergovernmental review and follow-up of the implementation of the Programme of Action at the global level by building on existing institutional arrangements. To that end, the Office of the Special Coordinator for Least Developed, Land-locked and Small Island Developing Countries will need to be substantially strengthened through, among other measures, more judicious use of existing regular budget resources of the UN and the availability of staff and other resources from all relevant parts of the United Nations system and other concerned multilateral organizations. The Secretary-General of the United Nations will make concrete recommendations in this regard to the General Assembly. Development partners are urged to make generous contributions to the Trust Fund for LDCs to support activities relating to follow-up of the Programme of Action.